

Message Text

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INFO AMEMBASSY ATHENS

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C O N F I D E N T I A L ANKARA 1074

E.O. 11652: GDS

TAGS: PINT, PFOR, TU, US

SUBJ: THE SETTING FOR THE AID CUTOFF

1. THE CUTOFF OF U.S. MILITARY ASSISTANCE TO TURKEY ADDS A FURTHER STRAIN TO THE ALREADY OVERBURDENED IRMAK GOVERNMENT. TURKEY'S ACCUMULATED MAJOR PROBLEMS CURRENTLY INCLUDE:

A. GOVERNMENT CRISIS--THE IMPASSE AMONG THE POLITICAL PARTIES IS NOW IN ITS FIFTH MONTH WITH NO SOLUTION IN SIGHT. (TURKEY HAS BEEN UNDER CARETAKER GOVERNMENT FOR 259 OF THE 480 DAYS SINCE THE OCTOBER 1973 ELECTIONS.) DESPITE THE COST TO TURKEY'S NATIONAL INTERESTS BOTH DOMESTICALLY AND EXTERNALLY, NO PARTY IS WILLING TO MAKE THE CONCESSIONS NECESSARY TO FORM A STABLE COALITION. THE PRESENT CARETAKER GOVERNMENT IS INHERENTLY WEAK. THE ARMED FORCES, WHILE EVIDENTLY CONCERNED, ARE SO FAR

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RELUCTANT TO INTERVENE FOR A VARIET OF REASONS.

B. ECONOMIC PERFORMANCE--

(1) ECONOMIC DIFFICULTIES ARE GETTING WORSE, EVEN THOUGH OUTPUT HAS CONTINUED TO EXPAND MODERATELY UNDER THE IMPETUS OF MAJOR DEVELOPMENTAL PROJECTS. PRICES AND WAGE SETTLEMENTS CONTINUE TO SOAR. PRICES ROSE BY 25 TO 30 PERCENT DURING 1974 AND WAGES INCREASED AN AVERAGE OF 25 TO 40 PERCENT. THE PRICE OF BREAD IN ANKARA HAS JUST BEEN INCREASED BY 43.3 PERCENT. FOR 1975, THE PROSPECTS ARE THAT THE PRICE INCREASES MAY BE EVEN HIGHER AND WAGE INCREASES WILL BE ABOUT THE SAME AS DURING 1974.

(2) INVESTMENT IN THE PRIVATE SECTOR HAS BEEN STAGNATING DUE MAINLY TO UNCERTAINTY OVER GOVERNMENT POLICIES AND TO LACK OF CREDITS. UNEMPLOYMENT HAS INCREASED DURING THE PAST YEAR DUE BOTH TO THE VIRTUAL CESSATION OF RECRUITMENT OF EMIGRANT WORKERS FOR JOBS IN WESTERN EUROPE AND TO THE SLOWDOWN IN EXPANSION DOMESTICALLY. A FURTHER SQUEEZE ON THE ECONOMY WILL RESULT FROM EFFORTS TO FINANCE THE CENTRAL GOVERNMENT BUDGET FOR BOTH TURKISH FISCAL YEAR 1975 AND 1974. THE GOVERNMENT EXPECTS TO COVER A GAP BETWEEN EXPENDITURES AND NORMAL REVENUES (TALLING PROBABLY \$1.8 BILLION FOR THE TWO FISCAL YEARS) FROM DOMESTIC BOND SALES. HOWEVER, THE INITIAL BOND SALES HAVE BEEN SERIOUSLY LAGGING.

(3) FINALLY, PROSPECTS FOR TURKEY'S BALANCE OF TRADE AND BALANCE OF PAYMENTS ARE GRIM. TURKEY'S DEFICIT ON TRADE DURING 1974 NEARLY TREBLED TO REACH \$2.2 BILLION. A SIMILAR TRADE DEFICIT IS IN PROSPECT FOR 1975. TURKEY'S FOREIGN EXCHANGE RESERVES HAVE IN THE PAST FEW MONTHS DROPPED BY \$400 MILLION AND WILL PROBABLY CONTINUE TO DROP BY ANOTHER \$600-700 MILLION DURING 1975.

C. INTERNATIONAL RELATIONS--TURKEY HAS FOUND LITTLE INTERNATIONAL UNDERSTANDING FOR ITS CYPRUS POLICY. NOW, WITH THE AID CUTOFF, TURKEY PROBABLY IS IN SOME DANGER OF MOVING TOWARD INTERNATIONAL ISOLATION.

D. STUDENT UNREST--DURING THE THE LAST THREE MONTHS THERE
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HAS BEEN A SERIES OF VIOLENT LEFT-RIGHT STUDENT CLASHES (THREE DEAD SO FAR) AS WELL AS A LARGE NUMBER OF PROTESTS AND BOYCOTTS OVER ISSUES OF UNIVERSITY ADMINISTRATION WHICH, OUR UNIVERSITY CONTACTS INDICATE, ARE FAR FROM SETTLED. (WE ESTIMATE THAT BEFORE THE SEMESTER BREAK STARTED FEBRUARY 1, ABOUT ONE-QUARTER OF ALL UNIVERSITY STUDENTS WERE OUT OF CLASSES DUE TO BOYCOTTS.) IN THIS ATMOSPHERE OF FRUSTRATION AND DISORDER, STUDENTS--WHO IN 1960'S PLAYED MAJOR ROLE IN DEMONSTRATIONS AND ACTS OF VIOLENCE AGAINST U.S. INSTALLATIONS AND PERSONNEL --PROBABLY WILL BE MORE THAT CUSTOMARILY SUSCEPTIBLE TO THE

ANTI-AMERICAN AGITATION WHICH UNDOUBTEDLY WILL FOLLOW THE AID CUTOFF.

E. MILITARY UNREST--IN THE ARMED FORCES, WHICH HAVE LONG BEEN CONSIDERED TO HAVE A KEY ROLE IN TURKEY'S STABILITY, GROUPS OF NCO'S IN THE AIR FORCE AND ARMY CARRIED OUT STRIKES AND BOYCOTTS IN JANUARY OVER A PAY DISPUTE. DISCIPLINARY ACTION AGAINST SOME 2,900 NCO'S HAS BEEN ANNOUNCED.

F. BREAKDOWN IN SERVICES--THE STATE AIRLINE HAS HAD THREE DISASTROUS CRASHES IN THE PAST TEN MONTHS, INCLUDING THE WORST IN AVIATION HISTORY. THE RATE OF HIGHWAY FATALITIES IS AMONG THE WORLD'S HIGHEST. THE CAPITAL CITY HAS A SEVERE PUBLIC HEALTH PROBLEM DUE TO EXTREMELY HEAVY AIR POLLUTION. WATER AND ELECTRICITY SERVICES IN THE MAJOR CITIES FREQUENTLY BREAK DOWN.

G. PARLIAMENTARY INACTION--FACED WITH THESE PROBLEMS, PARLIAMENT HAS PRODUCED NO LEADERSHIP AND NO ACTION. INSTEAD, IT HAS BEEN PREOCCUPIED WITH INTERNAL POLITICAL ISSUES (FOR EXAMPLE, IT IS CURRENTLY CONCERNED WITH A DISPUTE OVER REMOVAL OF THE DIRECTOR OF THE STATE RADIO AND TELEVISION MONOPOLY). IN THE PAST YEAR, ASIDE FROM THE ANNUAL BUDGET, THE ONLY SIGNIFICANT LEGISLATION PASSED WAS THE GENERAL AMNESTY.

2. AMONG PRIVATE CITIZENS, ALTHOUGH THERE IS STILL CONSIDERABLE SUPPORT FOR THE GOVERNMENT'S CYPRUS POLICY, THE EUPHORIA GENERATED BY THE CYPRUS LANDINGS LAST SUMMER HAS DISAPPEARED. IN ITS PLACE WE FIND A GROWING MALAISE AND WIDESPREAD COMPLAINTS, PRINCIPALLY ABOUT THE ECONOMIC PROBLEMS. THIS MALAISE SO FAR SEEMS BALANCED, HOWEVER, BY THE HABITUAL TURKISH
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TOLERANCE OF MOST GOVERNMENTAL SHORTCOMINGS, TOGETHER WITH TURKS' STRONG SENSE OF NATIONAL UNITY. IT SHOULD NOT BE FORGOTTEN THAT TURKEY IS A DISCIPLINED SOCIETY WITH A DEVELOPED TALENT FOR MUDDLING THROUGH DIFFICULT SITUATIONS.

3. MOREOVER, TURKS HAVE A STRONG SENSE OF NATIONAL PRIDE WHICH HAS BEEN AROUSED BY THE AID CUTOFF. THUS, DESPITE TURKEY'S MANY INTERNAL TROUBLES, DIVERSE ELEMENTS OF SOCIETY HAVE RALLIED IN A CONTINUING AND HIGHLY VOCAL REFUSAL TO KNUCKLE UNDER TO AMERICAN PRESSURE. TURKS' OTHER FRUSTRATIONS COULD EVEN SHARPEN THIS REACTION. IF THE CUTOFF IS PROTRACTED, THERE IS DANGER THAT A NATIONALISTIC MOMENTUM COULD GROW AND PUSH TURKEY FARTHER DOWN THE PATH OF DISENGAGEMENT FROM THE U.S. THAN ITS RESPONSIBLE LEADERSHIP WOULD LIKE.
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